



**COLUMBIA BASIN TRUST**

*a legacy  
for the people*

**COLUMBIA BASIN TRUST  
2006/07-2008/09  
SERVICE PLAN**

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1. COLUMBIA BASIN TRUST (B.C.) - PERIODICALS.
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January 27, 2006

The Honourable Colin Hansen  
Minister of Economic Development  
Province of British Columbia

Minister:

On behalf of the board of directors and staff of the Columbia Basin Trust, I am honoured to submit our service plan for the years 2006/07 through 2008/09 to you. The Columbia Basin Trust 2006/07-2008/09 Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for its contents, including the selection of measures and targets. The plan is consistent with government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions, and identified risks as of January 27, 2006 have been considered in preparing this service plan. I am also accountable for ensuring the Columbia Basin Trust achieves its specific objectives identified in the plan and for measuring and reporting actual performance. The targets in this plan have been determined based on an assessment of Columbia Basin Trust's operating environment, forecast conditions, risk assessment and past performance.

The Columbia Basin Trust benefits the region of British Columbia most affected by the Columbia River Treaty between Canada and the United States. Through the endowment provided by the Province of B.C., CBT makes investments and uses the returns from its investments to deliver social, economic and environmental programs and projects to the people of the region. Columbia Basin Trust is therefore accountable for its actions to both the Province of B.C., our shareholder, and to the residents of the Columbia Basin, our stakeholders.

In 2005, Columbia Basin Trust celebrated its tenth year and marked our anniversary with a symposium. We looked at some of our past successes and sought feedback from Columbia Basin residents on the challenges we face. Columbia Basin residents emphasized the importance of communication with CBT and we are looking at ways to improve our engagement with the 170,000 diverse people who call the Columbia Basin home.

One of the most pressing issues we faced after the symposium was our option to purchase Columbia Power Corporation, another Crown corporation and our partner in our largest investments, the power projects located in the West Kootenay area of the Basin. During the fall, we spoke with the public about this important decision and we worked with your representatives to find a way to give the region a greater say in the management of the power projects. As a result, Columbia Basin Trust and Columbia Power Corporation are now building a new relationship. We are also pleased to receive \$10

million in new funding from the Province, which will be paid in the current fiscal year, 2005/06.

In the coming year, we are aiming to return \$5 million in social, economic and environmental benefits to residents of the Columbia Basin. As always, our ability to return these benefits is affected by the health of our investments and the efficiency of our corporate operations. Since the symposium, we have embarked upon a thorough review of our investment policy and we anticipate completing this review in the upcoming fiscal year.

On behalf of the board of directors and staff, I thank you for your work with CBT.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Josh Smienk". The signature is stylized with a large, sweeping initial "J" and "S".

Josh Smienk  
Chair, Board of Directors

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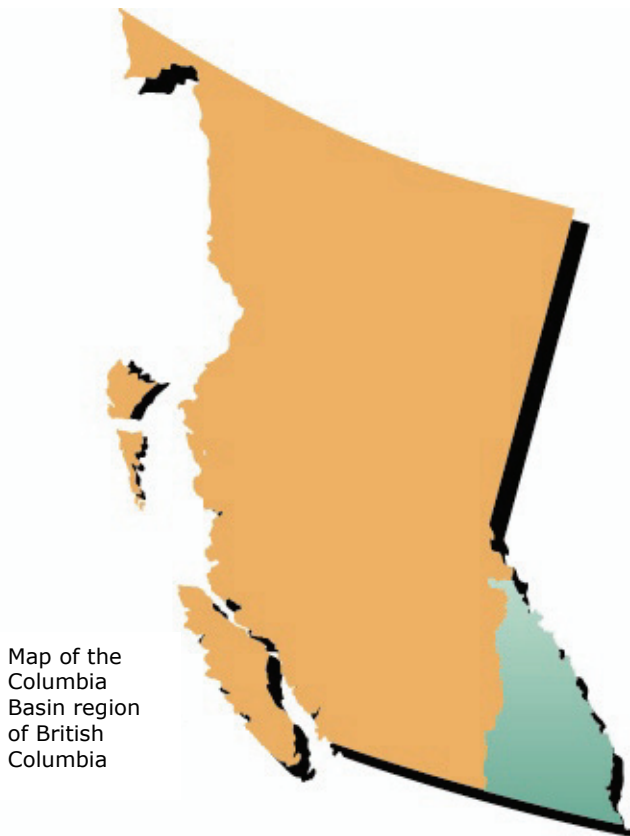
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# Overview

After working with Columbia Basin residents, including leaders from local communities and First Nations, the Province of B.C. created the Columbia Basin Trust in 1995. Columbia Basin Trust's origins are unique and its formation recognized the continuing impacts from the historical management of water in the Columbia Basin.

In 1964, Canada and the United States ratified the Columbia River Treaty (CRT), which coordinates flood control and optimizes potential electrical energy production in the Columbia River Basin in the U.S. and Canada.

Under the CRT, Canada agreed to build three storage dams, and agreed to a fourth dam being built in the U.S. with a large portion of its reservoir in southeastern B.C. In return for the storage of water, Canada is entitled to one half of the additional potential power generated at the American power plants on the Columbia River.



Map of the Columbia Basin region of British Columbia

As a result of the creation of the dams and the reservoirs behind them, areas critical to the social, economic and environmental well-being of the Columbia Basin were lost. In addition, the Columbia Basin is still dealing with significant and ongoing impacts related to the rise and fall of water levels on the Columbia River.

CBT serves the residents of the southeast corner of B.C., the region most affected by the CRT dams and reservoirs. The region's boundaries are generally defined by those watersheds which flow into the Columbia River within Canada. CBT supports the efforts of the people of the Columbia Basin to create a legacy of social, economic and environmental well-being. CBT works out of four office locations in Columbia Basin communities: Nakusp, Golden, Cranbrook and the corporate head office in Castlegar.

# Core Business Areas

One of the requirements of *Columbia Basin Trust Act* was that CBT had to seek input from Columbia Basin residents on its possible objectives, priorities and programs. This guidance from residents is captured in the *Columbia Basin Management Plan*. According to the *Plan*, CBT's two core functions are to:

- invest capital and manage the assets of CBT, and
- spend the income earned from the CBT's investments to deliver benefits to the Columbia Basin.

CBT's investment portfolio has two key components, power projects and a portfolio of non-power investments. CBT's other business area, corporate services, exists to ensure that CBT's core functions are carried out effectively and efficiently.

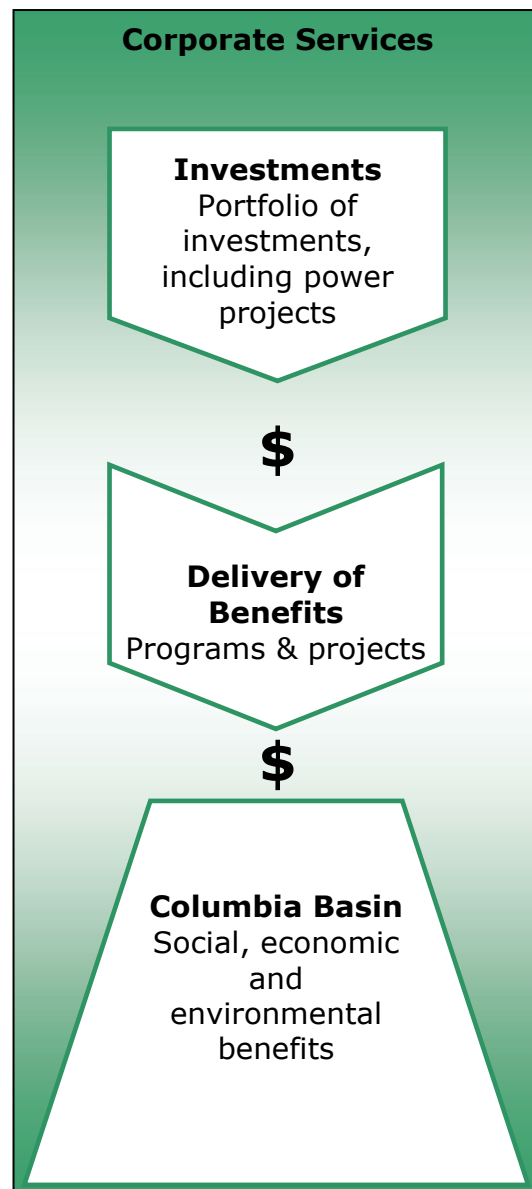
## Investments

CBT's non-power portfolio is composed of a range of investments, from business loans to deposits and securities to real estate. These investments include:

- five seniors' housing projects in the Columbia Basin that provide congregate care,
- commercial loans provided through Columbia Basin credit unions, and
- the Columbia Basin Building, which houses CBT's Castlegar office, Columbia Power Corporation's regional office and municipal government council chambers.

The initial funding for investments came from a \$45 million endowment provided by the Province of B.C.

CBT is also a half owner of three major power projects in the Columbia Basin and half owner of the development rights to a fourth power project, also in



the Columbia Basin. Columbia Power Corporation (CPC) is the other half owner of these projects and manages the projects on behalf of the partners. The projects are:

- Brilliant Dam, which was purchased in 1996,
- Arrow Lakes Generating Station, on which construction started in 1999, and was completed in 2002,
- Brilliant Expansion, on which construction started in 2003 and which is scheduled for completion in 2006, and
- Waneta Expansion, which is in the planning and permitting stages.

CBT's investments in the power projects are based on initial funding of \$276 million from the Province of B.C.

CBT uses the net income generated from its investments to fund its corporate operations and its delivery of benefits programs.

*See Information on Subsidiaries on page 26 for more detail on CBT's investments in power projects.*

### **Delivery of Benefits**

CBT's range of delivery of benefits programs foster the social, environmental and economic well-being of the Columbia Basin, and vary in scope, cost and objective. CBT funds:

- granting programs delivered by Columbia Basin organizations, agencies and local governments on behalf of CBT,
- granting programs implemented directly by CBT,
- a granting program in which an advisory committee of Columbia Basin residents selects projects, and
- endowment support for community foundations.

In delivering benefits, CBT does not solely act as a funding agency. CBT also returns benefits through:

- strategic programs undertaking specific initiatives in the Columbia Basin,
- acting as a leader in representing residents' interests and values in water initiatives in the Columbia Basin, and
- helping Columbia Basin communities identify and achieve their priorities.

CBT develops its delivery of benefits programs in consultation with advisory committees of Columbia Basin residents, who help identify regional and community of interest priorities.

In its delivery of benefits programs, CBT frequently partners with other organizations and agencies in the Columbia Basin which have similar interests in the region. For example, literacy needs in the Columbia Basin are partly being addressed through CBT funding to community literacy programs like Mother Goose. The Mother Goose program is delivered through a partnership arrangement with the Columbia Basin Alliance for



Literacy. This approach to program delivery was undertaken for three major reasons:

- to live up to CBT's corporate value of collaboration,
- to deliver programs with experienced partners and in a cost effective manner, and
- to build community and organizational capacity in the Columbia Basin.

In accordance with the *Columbia Basin Trust Act*, CBT's work in the region does not relieve any level of government of its obligations to the Columbia Basin.

### **Corporate Services**

Corporate services are responsible for executive management, planning, monitoring and evaluation, accounting, administration, information technology, communications, human resources and records management at CBT. The effective and efficient management of each of these functions ensures that CBT is able to run its investments and delivery of benefits programs. The Province is providing \$2 million per year for CBT's operating costs until 2010/11.

# Governance

## **Board of Directors**

A board of twelve directors governs CBT. The five regional districts of the Columbia Basin and the Ktunaxa Nation Council each nominate a minimum of one and a maximum of four directors and the Province of B.C. nominates the remaining six directors. The Lieutenant Governor in Council makes all of the final appointments to the board. All directors must reside in the Columbia Basin.

## **Guiding Board Principles**

1. The board represents and serves the communities and the Columbia Basin as a whole. The board talks with and listens to individuals, groups, and the communities it serves to assure local positions are put forward.
2. The board provides leadership by establishing goals and annual priorities based on the mandate of CBT outlined in legislation, agreements with the Province of B.C. and the *Columbia Basin Management Plan*.
3. The board governs CBT by establishing clear, concise and consistent policy direction to guide CBT management and monitor its performance.

## **Directors**

Josh Smienk, Chair	Garry Merkel, Vice Chair	Mike Berg
Dieter Bogs	Evelyn Cutts	Greg Deck
Jackie Drysdale	Mark McKee	Ron Miles
Jim Miller	Mike Rouse	Jeannette Townsend

## **Board Committees**

CBT's board of directors currently has two standing committees, the executive committee and audit committee. There are also three committees of the board, responsible for different areas of CBT's work. Members of board committees are chosen for their expertise and experience relevant to the committee's mandate. The board chair is ex officio of all committees.

## **Executive Committee**

The executive committee oversees the organization, operation and development of CBT on behalf of the board of directors, and also works on specific matters when directed by the board. This approach works particularly well in the Columbia Basin where the geography can make full board meetings difficult to arrange and costly.

### Members

Josh Smienk, Chair                      Garry Merkel, Vice Chair    Greg Deck  
Mike Rouse

### Audit Committee

The audit committee assists the board of directors in fulfilling its oversight responsibilities by ensuring the accuracy and integrity of CBT financial information. Audit committee responsibilities include systems of internal control, established by the board and management, as well as internal and external audit processes.

### Members

Mike Berg, Chair                      Jeannette Townsend              Ron Miles

### Investment Committee

The investment committee oversees CBT's investments in accordance with established policies and procedures, and also develops and reviews policies and procedures.

### Members

Mike Rouse, Chair                      Greg Deck                              Jim Miller

### Delivery of Benefits Committee

The delivery of benefits committee is a board and staff committee that develops and maintains the delivery of benefits model, and recommends an overall funding approach to the board. The delivery of benefits committee is also responsible for reviewing proposals and awarding grants for one of CBT's programs.

### Members

Jackie Drysdale, Chair                  Jane Hutchins, Vice Chair      Dieter Bogs  
Mark McKee                              Ron Miles                              Neil Muth, CEO  
Sabrina Curtis                              Doug Switzer

## Water Initiatives Committee

The water initiatives committee develops, implements and maintains a strategy to address water initiatives in the Columbia Basin.

### Members

Garry Merkel, Chair  
Jeannette Townsend

Dieter Bogs

Evelyn Cutts

## **Reporting Relationship with the Province of B.C.**

CBT is a Crown corporation subject to the *Budget Transparency and Accountability Act* and is within the Minister of Economic Development's portfolio.

# Strategic Context

## **Vision**

The Columbia Basin is a place where social, environmental and economic well-being is fostered, where collaborative relationships and partnerships exist among stakeholders and form the basis for social and economic activities, and where the economy is diverse, resilient and energized.

## **Mission**

The CBT supports efforts by the people of the Columbia Basin to create a legacy of social, economic and environmental well-being and to achieve greater self-sufficiency for present and future generations.

## **Values**

The values that govern the management and operations of CBT are:

### Inclusiveness

- CBT includes the people of the Columbia Basin in planning and decision-making.

### Collaboration

- CBT works with the public and other agencies and organizations.

### Respect for diversity

- CBT respect the history and diversity of the people and communities of the Columbia Basin.

### Responsibility

- CBT takes into account the Columbia Basin residents' economic, environmental, social and sustainability values. CBT strives to openly and explicitly balance maximizing benefits and minimizing negative impacts.

# Planning Context and Key Strategic Issues

## External Environment

CBT is subject to many forces of change, some of which extend beyond the Columbia Basin region. These forces create both opportunities and challenges for CBT, and affect CBT's ability to achieve its vision and goals. The following is an outline of the major external forces of change that could affect CBT's performance and priorities over the next three fiscal years.

### Evolving Economy of the Columbia Basin

Like rural areas elsewhere in British Columbia, the Columbia Basin's economy has recently seen a shift from its traditional reliance on primary industries of forestry and mining to an economy in which tourism and the service sector are playing a larger role. Statistics for 2003 show that accommodation room revenue in the B.C. Rockies increased by 43.4 per cent from five years previous<sup>1</sup>. The effects of the emergence of tourism as a more dominant industry in the Columbia Basin vary. The real estate market is seeing some dramatic activity with some communities in the region experiencing an over 80 per cent increase between 2005 and 2004 sales.<sup>2</sup> Prices are also on the rise. High real estate prices can result in accommodation difficulties for low and average wage earners, elderly people on fixed incomes, students attending local colleges and young families.

Resort development is changing the landscape of the Columbia Basin. The Province of B.C., the federal government and regional governments recently committed to funding the expansion of the Cranbrook airport. Once complete, the airport will offer international flights, attracting more visitors to the East Kootenay. Resort development is therefore expected to further stimulate the economy. This development has implications for the Columbia Basin environment, and employment in the region.

While tourism creates employment opportunities for Columbia Basin residents, some jobseekers may not have the necessary training to get hired. A lack of skilled tradespersons in region causes delays in construction. In addition, the jobs created by the tourism industry can make it difficult for smaller Columbia Basin businesses to attract workers.

To CBT, the evolution of the Columbia Basin economy means a number of things. Rising real estate prices and resort development can create investment opportunities. Such trends can also result in different proposals for the CBT funding available to Columbia Basin communities, from

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<sup>1</sup> TourismBC's *The Value of Tourism*, February 2003

<sup>2</sup> Kootenay Real Estate Board, news release, December 12, 2005

affordable housing to land conservancy programs to short-term training opportunities and support for smaller businesses.

### Environmental Engagement

Major watersheds of the Columbia Basin continue to be significantly affected by international water agreements, including the Columbia River Treaty, and could also be impacted in the coming years by climate change. In the last century, B.C. has seen changes in precipitation patterns.<sup>3</sup> The Columbia Basin could increasingly experience somewhat wetter winters and somewhat drier summers. Climate change has ramifications for the international water agreements, hydropower production, irrigation, recreation and tourism. CBT's investments in hydropower projects could be affected and Columbia Basin residents may also ask CBT to place a greater emphasis on climate change in its environmental programs and water initiatives. CBT also has a unique role with regard to water licencing in the Columbia Basin. The Comptroller of Water Rights must consider the Columbia Basin Management Plan when reviewing water licence applications from the region.

### Financing Challenges

As in other regions, there remains a general reluctance on the part of traditional commercial lending institutions in the Columbia Basin to provide loans to new and expanding businesses. This reluctance affords CBT with the opportunity to make capital available to businesses in the Columbia Basin in cooperation with local financial institutions.

Any interest rate changes have the potential to impact CBT's investments and therefore CBT's ability to generate income for delivery of benefits to the region.

### **Internal Environment**

Risks and opportunities within CBT's internal environment could also affect CBT's performance over the next three fiscal years.

### Investments

CBT is currently reviewing the performance of its non-power investments and is reassessing its overall investment policy.

### Delivery of Benefits

Each year, CBT funds a variety of projects and programs. In some cases, CBT board and staff directly award grants and in others, an outside body delivers programs on behalf of CBT. This varied approach can be confusing

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<sup>3</sup> Province of B.C.'s *Weather, Climate and the Future*, December 2004

for Columbia Basin organizations and individuals in determining which CBT funding stream is the best fit for their particular project. CBT has staff in each of its four offices who work with community members to identify the best fit.

While different groups, internal and external to CBT, are responsible for reviewing project funding applications and recommending programs, these groups are all composed of Columbia Basin residents. Residents contribute their time and expertise and are vital to the success of CBT's activities. Because they live in the region, residents have a vested interest in creating a stronger Columbia Basin but they are also all subject to different forms of public pressure. CBT has conflict of interest policies for its board, advisory committee members and staff.

In some cases, CBT partners with Columbia Basin organizations who deliver granting programs. This arrangement brings with it a risk that CBT will fund projects designed to meet its partners' more structured criteria rather than projects that meet the individual and unique needs of the Columbia Basin communities themselves.

At CBT's 10-year anniversary symposium held in July 2005, CBT's stakeholders stressed the importance of clear and ongoing consultation and communication with CBT. As the Columbia Basin covers 88,000 square kilometers, and is home to 170,000 people, meaningful consultation and communication present distinct challenges. CBT will be holding symposia every two years, and is developing a communications strategy.

One of most significant challenges CBT faces is identifying social, economic and environmental priorities in the Columbia Basin, and measuring the impact of its work on the well-being of the region. The model for delivery of benefits is continuing to evolve as CBT addresses this challenge.

### Corporate Services

CBT's corporate services must balance providing effective support to the investments and delivery of benefits programs with ensuring low corporate costs so that substantial benefits can be returned to Columbia Basin residents.

Challenges to keeping corporate costs low are the varied needs within the organization for support services and CBT's capacity to provide those services. The needs of staff working in the delivery of benefits program can be quite different than the needs of staff working in investments. Some efficiencies in corporate services are possible. For example, CBT's information technology department also serves all of the staff of Columbia Power Corporation.



Like many organizations, CBT is faced with the risk of key person dependency. There is little overlap between certain senior roles at CBT and the loss of any of the employees in these positions would therefore have negative consequences for the organization. CBT is developing strategies to mitigate this risk.

# Goals, Strategies, Measures and Targets

CBT's planning processes are continuing to evolve and as a result, some of the following goals, strategies, measures and targets have been revised from the previous service plan. This year, CBT focused on measures that are more relevant to its mandate. These measures will examine CBT's impact on the Columbia Basin and the efficiency of its operations. Because CBT's planning processes are evolving, performance management and reporting systems are currently under review. CBT primarily uses internal data in the measurement of its performance. Some of the financial data originates with third parties.

## **Investments**

CBT is currently reviewing its overall investment performance and policies and the role of its subsidiary, CBT Energy Inc., which holds CBT's interests in the power projects. The following outlines goals, strategies, measures and targets that relate only to CBT's non-power investments, and these may change once CBT's review is complete.

*See Information on Subsidiaries on page 26 for more detail on CBT's investments in power projects.*

## **Goals**

CBT's goal is to maximize the risk adjusted rates of return of the portfolio while preserving the real value of the capital. Subject to satisfying the return objective, CBT seeks investment opportunities that will stimulate the economy of the Columbia Basin. This goal has been amended from the previous service plan to clearly state that CBT's primary goal is to achieve the greatest possible return from its portfolio relative to risks faced.

## **Strategies**

### Investment Guidelines

Investments are made in accordance with board-approved policy. Policy is currently under review.

### Risk Parameters

Investments will be made and managed prudently in recognition of inherent risks, including:

- operating risks,
- financial risks, and
- liquidity risk.

<b>Measures</b>	<b>Actual</b>	<b>Forecast</b>		<b>Targets</b>	
	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Nominal annual return on investment	(1.1%)	6%	6%	6%	6%

The wording of the performance measure has been changed from current annual return on investment to nominal annual return on investment in order to more accurately reflect the information presented by the measure.

CBT is no longer using the performance measure, average annual return of investment, as it is redundant to the remaining performance measure, current annual return on investment.

### **Delivery of Benefits**

#### **Goal**

CBT's goal is to deliver benefits which serve to strengthen the social, economic and environmental well-being of the Basin, its residents and communities. These benefits are delivered through CBT's range of programs, projects and strategic initiatives.

#### **Strategies**

1. CBT will ensure information is available on its programs to Columbia Basin residents through staff and the website, [www.cbt.org](http://www.cbt.org).
2. CBT will evaluate its delivery of benefits programs, including developing ways to measure the impacts of its programs, and seek feedback from Columbia Basin residents on its programs.
3. CBT will develop its programs in consultation with advisory committees of Columbia Basin residents in social, economic, environmental, education, arts, culture and heritage and youth areas.
4. CBT will build relationships with individuals, communities, groups and organizations in the Columbia Basin with similar aims.
5. CBT will refine the application, decision-making and reporting processes for its programs.

<b>Measures</b>	<b>Actual</b>		<b>Forecast</b>		<b>Targets</b>	
	<b>Forecast</b>		<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Benefits delivered by projects / programs	Two programs evaluated		Two programs evaluated	At least one program evaluated	At least one program evaluated	At least one program evaluated
	N/A		Begin developing indicators on the social, economic and environmental state of the Columbia Basin	Complete development of indicators and collect data in the Columbia Basin	Review and analyze data collected, revise indicators where necessary	Set target in 2007/08

CBT has created one new performance measure for its delivery of benefits programs, benefits delivered by projects and programs. The challenge for CBT is to create measures for its delivery of benefits programs that indicate how CBT's work is strengthening the overall social, economic and environmental well-being of the Columbia Basin. By committing to evaluating at least one program a year, CBT will receive valuable information about the impact of its funding on Columbia Basin residents. CBT keeps records of all of its evaluation work and those evaluations will be considered when CBT annually reviews its delivery of benefits programs. CBT's second target relates to the process of collecting information on the current state of Columbia Basin. By first collecting and analyzing this information, CBT aims to eventually be able to set a baseline for its performance and measure its long-term impact on the Columbia Basin. The previous measures for the delivery of benefits programs required significant resources to implement, had limited overall value in any assessment of the delivery of benefits programs and were heavily focused on specific aspects of monitoring and evaluation.

**Corporate Services**

<b>Goal</b>					
CBT's goal is to support and enable the effective management of the investments and delivery of benefits programs.					
<b>Strategies</b>					
<ol style="list-style-type: none"> <li>1. CBT will refine its annual planning processes and set strategic goals and priorities for the organization, including ensuring that it has the corporate capacity to meet the needs of the investments and delivery of benefits programs.</li> <li>2. CBT will review its corporate service areas and overall operations to ensure they are conducted efficiently.</li> <li>3. CBT will review and refine human resources policies and practices, including job descriptions, performance reviews, succession planning and hiring practices.</li> </ol>					
<b>Measures</b>	<b>Actual</b>	<b>Forecast</b>	<b>Targets</b>		
	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>
Corporate operations as a percentage of revenues	32%	28%	46%	15%	17%

CBT has created one new performance measure for corporate services. CBT's previous measure only provided an internal estimate of its effectiveness, which is valuable to CBT but difficult to quantify for external stakeholders. The new measure indicates the efficiency of CBT's operations by comparing the cost of corporate operations to the revenues CBT earns. CBT prepares forecasts of its revenues and corporate operations costs quarterly and will be able to report out

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on its actual performance after fiscal year end and once the external audit is complete. CBT's forecasts are affected by information provided by CPC relating to the power projects. CBT will research other organizations who measure corporate operations as a percentage of revenues for benchmarking purposes.

The high actual percentage for 2004/05, the forecast for 2005/06 and target for 2006/07 are due to lower power project income in those years. Power project income was lower than expected in 2004/05 and is expected to be low in 2005/06 and 2006/07 because of the cost of repairing the Arrow Lakes Generating Station channel. The 2005/2006 forecast for corporate operations as a percentage of revenues is lower than the 2004/2005 actual and 2006/07 target because the low power project income in 2005/2006 will be somewhat offset by the \$10 million in new revenue from the Province.

# Summary Financial Outlook

**Table 1. CBT Summary Financial Information**

(Not audited, in thousands)	2004/05 Actual	2005/06 Forecast	2006/07 Forecast	2007/08 Forecast	2008/09 Forecast
<b>Revenues</b>					
Deposits and Securities	\$467	\$475	\$660	\$750	\$750
Business Loans	\$1,112	\$1,200	\$385	\$350	\$350
Real Estate	\$33	\$110	\$221	\$300	\$350
Power Projects	\$5,672	(\$2,290)	\$4,117	\$18,002	\$15,116
Contribution from Province	\$2,000	\$12,000	\$2,000	\$2,000	\$2,000
<b>Total Revenues</b>	<b>\$9,284</b>	<b>\$11,495</b>	<b>\$7,383</b>	<b>\$21,402</b>	<b>\$18,566</b>
<b>Expenditures</b>					
Corporate Operations	\$3,012	\$3,226	\$3,405	\$3,200	\$3,200
Investment Write Downs	\$3,778	\$650	-	-	-
Delivery of Benefits	\$4,276	\$5,000	\$5,000	\$7,000	\$12,000
<b>Total Expenditures</b>	<b>\$11,066</b>	<b>\$8,876</b>	<b>\$8,405</b>	<b>\$10,200</b>	<b>\$15,200</b>
<b>Net Income</b>	<b>(\$1,782)</b>	<b>\$2,619</b>	<b>(\$1,022)</b>	<b>\$11,202</b>	<b>\$3,366</b>
<b>Net Assets</b>					
Opening Balance	\$6,092	\$4,310	\$6,929	\$5,907	\$17,109
Net income (deficit)	(\$1,782)	\$2,619	(\$1,022)	\$11,202	\$3,336
<b>Ending Balance</b>	<b>\$4,310</b>	<b>\$6,929</b>	<b>\$5,907</b>	<b>\$17,109</b>	<b>\$20,475</b>

## Key Assumptions

- Deposits and Securities  
Income: 3 per cent per annum on year end balance
- Business Loans  
Income: 6.5 per cent per annum after providing for a capital maintenance provision of 2 per cent
- Net income from Power Projects



## Forecast Risks and Sensitivities

- Fluctuating interest rates have a direct effect on the income from deposits and securities.
- A 1 per cent rate change would have an impact of \$250,000 to CBT's bottom line.
- Fluctuating interest rates have direct effect on the income from business loans.
- A 1 per cent rate would have an impact of \$100,000 to CBT's bottom line.
- See page 24 for key assumptions and forecast risks and sensitivities related to net income from the power projects.

**Table 2. CBT Consolidated Capital Spending**

<b>(Not audited, in thousands)</b>	<b>2004/05 Actual</b>	<b>2005/06 Forecast</b>	<b>2006/07 Forecast</b>	<b>2007/08 Forecast</b>	<b>2008/09 Forecast</b>
<b>Arrow Lakes Power Corporation</b>					
Arrow Lakes Generating Station	\$2,466	\$476	\$242	\$281	\$282
<b>Brilliant Expansion Power Corporation</b>					
Brilliant Expansion	\$74,328	\$12,628	\$11,016	\$561	\$570
<b>Power Project Planning</b>					
Waneta Expansion	\$3,160	\$2,473	\$4,938	\$71,775	\$84,376
Other Projects	-	-	\$65	\$65	\$65
General Power Project Planning	-	\$200	\$200	\$200	\$200
<b>Brilliant Power Corporation</b>					
Brilliant Sustaining Capital/Upgrades	\$3,922	\$1,119	\$1,893	\$2,438	\$1,808
<b>CBT Corporate</b>					
Computers, furniture, equipment	\$65	\$100	\$100	\$100	\$100
<b>Total</b>	<b>\$83,941</b>	<b>\$16,996</b>	<b>\$18,454</b>	<b>\$75,420</b>	<b>\$87,401</b>

**Table 3. Net Income from Power Projects**

The following table provides the revenues and expenses of the joint venture corporations: Brilliant Power Corporation (BPC), Arrow Lakes Power Corporation (ALPC) and Brilliant Expansion Power Corporation (BEPC).

CBT's interests in these corporations are held by its subsidiaries.

<b>(Not audited, in thousands)</b>	<b>2004/05 Actual</b>	<b>2005/06 Forecast</b>	<b>2006/07 Forecast</b>	<b>2007/08 Forecast</b>	<b>2008/09 Forecast</b>
<b>BPC</b>					
BPC Revenues	\$17,087	\$18,220	\$18,853	\$19,254	\$19,661
BPC Expenses	(\$13,529)	(\$13,747)	(\$13,891)	(\$13,960)	(\$14,057)
<b>ALPC</b>					
ALPC Revenues	\$17,119	\$12,163	\$14,231	\$15,534	\$16,045
ALPC Expenses	(\$14,092)	(\$17,626)	(\$14,836)	(\$10,066)	(\$10,974)
<b>BEPC</b>					
BEPC Revenues	-	-	-	\$14,046	\$14,430
BEPC Expenses	-	-	-	(\$6,566)	(\$9,749)
<b>CBT Administration Costs</b>	(\$913)	(\$1,300)	(\$240)	(\$240)	(\$240)
<b>Net Income</b>	<b>\$5,672</b>	<b>(\$2,290)</b>	<b>\$4,117</b>	<b>\$18,002</b>	<b>\$15,116</b>

## Key Assumptions

- Short-term borrowing rate for power projects is 5.3 per cent.



## Forecast Risks and Sensitivities

- The borrowing rate for the power projects is affected by fluctuations in interest rates.
- An increase or decrease in rates could increase or reduce revenues from the power projects. A 1 per cent rate change would mean a change to Waneta Expansion net income of \$ 4 million.

- Cost of permanent repairs on the Arrow Lakes Generating Station approach channel



- Depending on the timing of the recovery of the costs of permanent repairs on the approach channel, net income may decrease in 2005/06 and 2006/07.

- Later forecast completion date for Brilliant Expansion



- Brilliant Expansion was originally scheduled to be completed in late summer of 2006. Due to delays in construction, the project is now expected to be complete in December 2006. This has resulted in a decline in power project revenue for 2006/07. Any further delays to completion will also reduce power project net income.

**Table 4. Employees by Core Business Area**






Core Business Area	Employees
Investments	<b>3.5</b>
Power Projects	1.5
Non-power Portfolio	2
Delivery of Benefits	<b>10</b>
Corporate Services	<b>17</b>
Accounting	4
CEO/Administration	4
Communications	2
Human Resources	1
Information Technology <sup>4</sup>	4
Planning	2
<b>Total</b>	<b>30.5</b>

<sup>4</sup> CBT's contract to provide information technology services to Columbia Power Corporation creates the need for two of the four full-time equivalents in CBT's information technology department.



# Alignment with the Province of B.C.'s Strategic Plan

CBT supports each of the Province's five goals for British Columbians, in cases where the five goals correspond to CBT's regional priorities.

<b>CBT Activities</b>		<b>Provincial Goals</b>
<p>CBT has funded family literacy programs, awarded scholarships to Columbia Basin students volunteering in their communities and provided tuition for short-term courses that lead to employment.</p>		<p>Make B.C. the best educated, most literate jurisdiction in North America</p>
<p>CBT has funded youth rec projects, playgrounds, sports facilities upgrades, skate parks and a peer sexual health education program.</p>		<p>Lead the way in North America in healthy living and physical fitness</p>
<p>CBT invested in five seniors' housing projects, and funded initiatives for at risk youth and youth with disabilities.</p>		<p>Build the best system of support in Canada for persons with special needs, disabilities, children at risk and seniors</p>
<p>CBT's investments create jobs, including 150 people a year during Brilliant Expansion construction and 175 full and part-time jobs at seniors' housing projects. CBT has also funded free one-on-one counseling for small and medium businesses.</p>		<p>Create more jobs per capita than anywhere else in Canada</p>
<p>CBT's power projects produce green power using a renewable resource and improve fish habitat downstream. CBT and Columbia Power Corporation also donate to fish fertilization for the Arrow Lakes. CBT has funded environmental programs and led water initiatives in the Columbia Basin.</p>		<p>Lead the world in sustainable environmental management, with the best air and water quality, and best fisheries management, bar none</p>

# Information on Subsidiaries

## **CBT Energy Inc.**

CBT and Columbia Power Corporation (CPC) formed a joint venture in 1996, with CPC contracted to act as the manager. Together they invest in hydroelectric power plants in the Columbia Basin region through a joint venture structure whereby ownership, income and cash flows are shared on a 50-50 basis.

CBT Energy Inc. (CBTE) is a wholly-owned subsidiary of CBT, incorporated in 2000 to represent CBT's interests in the power projects with CPC. CBTE was party to an option agreement with the Province, which gave CBTE the opportunity to purchase CPC from the Province. In late 2005, the Province and CBT reached an alternative arrangement to the option agreement. Under this alternative arrangement, CBT will receive \$10 million from the Province in new funds, which will be paid in 2005/06. The Province has also agreed that one third of the members of CPC's board and executive committees will be CBT nominees. This arrangement will give the Columbia Basin region a greater voice in the management of the power projects. As a result of the arrangement, CBT is currently undertaking a review of CBTE's role. The information in this service plan will be updated once the review is complete.

## **Joint Venture Power Projects**

### **Arrow Lakes Generating Station**

The Arrow Lakes Generating Station is a power plant that consists of two generating units with a capacity of approximately 185 MW that will deliver approximately 760 gigawatt hours of electricity annually. Water enters the power plant via a 1,400 metre approach channel bypassing the existing Hugh Keenleyside Dam. The project also consists of a 49 km 230 kilovolt transmission line that extends from the power plant to the BC Hydro substation at Selkirk.

In May 2004, damage occurred to a portion of the concrete lining at the bottom of the intake channel of the power plant, resulting in the temporary shut down of both generating units. Emergency repairs and contingency measures were undertaken in order to ensure the integrity of the channel was maintained. To permanently repair the channel, plans have been put into place to install a coffer dam, drain the channel and carry out the necessary repairs over the next six months.

Investigations into the cause of the damage to the channel are currently being carried out to determine if it was due to design error or operator error. The outcome of these investigations will determine how the costs of the

channel repairs will be recovered from the insurance policies, and performance guarantees and securities that are in place under the design-build construction contract.

### Brilliant Expansion

The Brilliant Expansion project involves the installation of an estimated 120 MW power generation facility near the existing Brilliant dam. The construction of this facility is currently ongoing and it is expected to be completed and in operation by December 2006. The commercial operation date is now later than originally expected due to delays in the construction of the service bay and unit bay areas. Several major phases of this project have already been completed including the powerhouse excavation, lower turbine component assembly and the intake and tailrace excavation. The Brilliant Expansion Consortium, consisting of the Skanska-Chant Joint Venture, SNC-Lavalin and Skanska International Civil Engineering, is constructing this project under the terms of a design-build contract.

### Waneta Expansion

The Waneta Expansion project is a proposal to install an additional power generation facility with a capacity of up to 350 MW at the existing Waneta Dam. Teck Cominco, from whom CPC purchased the rights in 1994 to undertake the expansion, owns the Waneta Dam. One half of the rights were transferred to CBT in 2000. It is expected that the construction of the Waneta Expansion project will take place over a four-year period. Engineering and financial evaluations are currently being carried out to determine what the optimal size and capacity of this power plant should be from a feasibility and economic return perspective.

### **Other Subsidiaries of CBT**

For commercial and legal reasons, CBT has a number of subsidiaries that hold CBT's interests in both the joint venture power projects and other investments, including commercial loans and real estate.

CBT Arrow Lakes Power Development Corp. - This subsidiary of CBTE holds its interests in Arrow Lakes Power Corporation.

CBT Brilliant Expansion Power Corp. - This subsidiary of CBTE holds its interests in Brilliant Expansion Power Corporation.

CBT Power Corp. - This subsidiary of CBTE holds its interests in Brilliant Power Corporation and the Power Project Planning Joint Venture.

CBT Commercial Finance Corp. - This subsidiary of CBT holds its interests in its commercial loans.

CBT Real Estate Investment Corp. - This subsidiary of CBT holds its interests in real estate ownership.

CBT Venture Capital Corp. - This subsidiary of CBT holds its interests in venture capital investments.

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